

9th IDB Global Forum on Islamic Finance

In conjunction with the 40th Annual Meeting of the IDB Group, the Islamic Research and Training Institute (IRTI) organized the 9th IDB Global Forum on Islamic Finance on June 24, 2015. It was themed on “**Islamic Finance and Economic Development: Lessons from the past and Strategies for the Future**”

The Forum highlighted the relation between Islamic finance and socio-economic development and how such finance can be applied to meet important development needs such as food security, energy and infrastructure development, education and promotion of international trade. The lessons learned from the development financing activities of IDB made it more useful from practitioners’ perspective.

The Forum also discussed the requirements and the key initiatives for the development of Islamic financial sector. It presented a roadmap for the development of this rapidly evolving and strategically vital industry.

During this Forum two major papers were issued:

1. ***IRTI Occasional Paper on Islamic Finance and Economic Development: Lessons from the past and Prospects for the Future***
2. ***Islamic Financial Services Industry Development: Ten-Year Framework and Strategies, A Mid-Term Review***

To increase the interaction between Islamic finance experts and practitioners a web-based platform ***Communities of Practice in Islamic Finance*** was also launched during the occasion.

This 9th Forum was continuation of the series of Forums that were initiated by IRTI in 2006. The Forum, aims at providing a platform for strategic policy dialogue for sharing experiences with regard to developing the various segments of the Islamic Financial Services Industry; identifying key challenges of the industry's different segments in an integrated manner and promoting cooperation, knowledge

sharing and partnership in alleviating the challenges thus facilitating the industry's orderly development, competitiveness and stability.

Seminar/Workshop on *Maqāṣid* al-Sharī'ah based Index Part-2

The Part-2 of Seminar/Workshop on *Maqāṣid* al-Sharī'ah based Index was held from 26-27 June, 2014 in Yogyakarta, Indonesia. The program was organized by IRTI in collaboration with University Islam Indonesia. The purpose of the seminar was not only to present papers but take the movement forward to create enabling platform and linkages for realization in future of a *Maqāṣid* al-Sharī'ah based index of Socio-Economic Development.

A total of 20 papers were selected for the seminar/workshop. The papers concentrated on the measurement of development through welfare. i.e., positive approach. Some papers focused on evaluation of Islamic banking and financing instruments for their contribution to achievement of *Maqāṣid* al-Sharī'ah. With the discussion of new ideas the seminar helped in bringing the various researchers closer to each other and share their thoughts. The authors and participants were enthusiastic to contribute further. Two volumes of the book on *Maqāṣid* al-Sharī'ah based indicators of socio-economic development are going to come out of these two part seminars.

In addition, some other seminars organized by IRTI in collaboration with other institutions are listed below:

Third International Conference on Inclusive Islamic Financial Sector Development and Working Group Meeting on Zakat Standardization	with Bank Indonesia	28-29 August, 2014, Jakarta, Indonesia
International Conference on Finance and Development in Muslim Economies	with Bangor University	15 September, 2014, UK
6 th International Conference on Islamic Banking & Finance: Risk Management, Regulation and supervision	with Central Bank of Turkey	16-17 September, 2014, Turkey
Thematic Workshop on Revival of Waqf for Socio-Economic Development	with Universitas Airlangga	28-29 September, 2014, Indonesia
Roundtable Discussion on Taxation in Islamic Finance	with Malaysian Institute of Accountants and Universiti Kebangsaan Malaysia	13-14 October, 2014, Malaysia

**Obituary: Veteran Islamic Economist
Dr. Ziauddin Ahmad passes away**

by

M Fahim Khan & Muhammad Ayub

Renowned Islamic economist, professional central banker, a seasoned policy maker, and a pioneer of Islamization of banking and finance in Pakistan, Dr. Ziauddin Ahmad passed away on July 6, 2014 after protracted illness.

Born on 4th August 1930, Dr. Ziauddin accomplished his formal education at Harvard University, USA, from where he did M.A. in 1963 and Ph.D. in Economics in 1964. During his distinguished career as an economist and academician, he held the positions of Deputy Governor, State Bank of Pakistan from 1978 to 1983 and Director General, International Institute of Islamic Economics, Islamabad from 1983 to 1988. He remained member of the Council of Islamic Ideology in Pakistan for five years when he played a vital role in preparation of the reports of the Council of Islamic Ideology (CII) on Islamization of Pakistan's economy that could be considered as the most comprehensive description of Shariah based economic and financial system with complete structure by that time.

Dr Ziauddin pioneered the work on Islamic Banking & Finance in late 1970's when Islamic finance was not yet taken up by the governments as a needed dimension in their public policies nor it was a commercial enterprise pushed by the financial institutions. During this period, a series of international events were held to serve as important land-mark in the struggle of the Muslim *Ummah* for Islamic resurgence. His very important contribution was his work on preparation of the structure of fiscal and monetary system of Islam as Member, Council of Islamic Ideology, Pakistan, and as Convener, Panel of Economists and Bankers set up by the Council of Islamic Ideology to suggest measures for re-modeling the economic and financial system of the country on Islamic lines. This led to bridging of the gap and transforming of the theory into policy making space. The CII Report facilitated the move towards Islamization of the banking sector, government finance, international trade and the financial sector as a whole.

Dr Ziauddin actively participated in almost all pioneering conferences, seminars and colloquia organized in those days on Islamic economics, amongst which the first International Conference on Islamic Economics held in the Holy City of Makkah in 1976 and the two seminars on the Monetary and Fiscal Economics of Islam held at Makkah (Oct. 1978) and Islamabad (Jan. 1981) were prominent. While the Makkah Seminar addressed itself to some of the major theoretical problems, the Islamabad Seminar, along with further strengthening the theoretical research, undertook a thorough examination of some of the experiments in Islamic banking in different parts of the world in general, and the Report of CII, Pakistan on the Elimination of Interest from the Economy (June, 1980) in particular – a historic document and a pioneering effort to be used by other Muslim countries in their effects to transform their banking system, in accordance with Islam. Dr Ziauddin, being the most prominent of its architects, presented salient features of that report in the Seminar.

His another major contribution for promoting Islamic economics in its infancy is establishment of International Institute of Islamic Economics (IIIE) in the International Islamic University, Islamabad. After quitting the position of Deputy Governor of the State Bank of Pakistan, he took over as the founder Director General of the IIIE and helped elevate the institution which is among the first few institutions of its kind in the world in the field of Islamic Economics. During his tenure, new M.Sc and Ph.D. programs were introduced, capacity building for Islamization was accelerated by initiation of training programs in Islamic economics and finance for senior government officials, and research was highly promoted.

Dr. Ziauddin served as a luminary for research scholars, speakers at conferences, academicians and the policy makers in the areas of economics and finance. His style of extempore speaking in seminars and conferences seemed as if he was reading from his carefully worded paper with full care of punctuation marks. His lucid writings could serve as ceaseless guide for authors on Islamic economics and finance. He produced many papers and books on different aspects of Islamic economics and was co-editor of the books, "*Money and Banking in Islam*" and "*Fiscal Policy and Resource Allocation in Islam*". His book, "*Islam, Poverty, and Income Distribution*", published in 1991 portrays the Islamic approach to issues of poverty and income distribution in the perspective of Islam's overall scheme for the establishment of a just socio-economic order. It sets out the broad contours of the policy framework provided by Islam for eradication of poverty and achievement of an equitable distribution of income and wealth. It also brings out the distinctive features of the Islamic approach to issues of poverty and

income distribution compared to certain other systemic approaches. Especially, following monographs papers have been referred immensely in the literature on Islamic banking and finance:

1. The Present State of Islamic Finance Movement, International Institute of Islamic Economics, Islamabad, 1985;
2. Some Misgivings about Islamic Interest Free Banking, IIIIE, Islamabad, 1985.
3. Islamic Banking: State of the Art, Islamic Economics Studies (IRTI), Vol. 2; No. 1, December, 1994.

In these monographs / papers, Dr Ziauddin analyzed the Islamic banking practices as evolved by that time keeping in view the basic principles of Islamic finance, and suggested to introduce reforms to bring Islamic finance in line with system as was originally conceived to achieve the socio-economic objectives.

Earlier, during his carrier at the State Bank of Pakistan, he also served as Chairman of the Deputies of the Intergovernmental Group of Twenty Four on International Monetary Affairs; Associate Member, Interim Committee of the Board of Governors of the International Monetary Fund; Member, Board of Governors of the Pakistan Administrative Staff College, Lahore, Member, Board of Governors of the National Institute of Business Administration, Karachi, Senior Fellow, Pakistan Institute of Development Economics (PIDE), Member, Advisory Panel of the Applied Economic Research Centre of the University of Karachi and Member, Expert Group on Development Policy and Planning, ESCAP, Bangkok. He had been advisor to the Pakistan Delegation to the annual meeting of the IMF and the World Bank since 1964.

Dr. Ziauddin rendered invaluable services for the economy of Pakistan, the Central Bank of Pakistan and for Islamic economics as an evolving discipline. He was one of the architects of the Research Department in the State Bank of Pakistan set up in 1948. His conviction with Islamic economics and finance was inspired by the inaugural words of the founder of Pakistan that required the Research Department to work on interest-free Islamic system of finance. He initiated and encouraged the work not only on monetary aspects – the main area of any central bank, but also on the Islamic economic system as a whole. In this perspective, Dr. Ziauddin served as a focal person, as indicated above, in the work by the CII and the ‘Panel of Economists and Bankers’ set up in 1977 to assist the CII in the delicate task of finding ways and means to eliminate interest from the country’s economy as a whole and to remodel the economic and financial system of the

country in accordance with the injunctions of Islam. Particularly, his contribution as ‘Convener’ of the Panel of Economists and Bankers was outstanding for preparation of an overarching schema that could be treated as a landmark for transformation of economies throughout the Muslim world to conform to the tenets of Islam. Thus, Dr Ziauddin was among a few personalities in the world who initiated efforts to introduce Islamic economic system in the world in modern age.

In addition to his distinctive contribution as a pioneering Islamic economist, he will also be remembered for his piety, quest for knowledge, hard work and *halal* income and, most importantly, extreme humbleness. He did not like fame and preferred to be unnamed. He lived a simple life of an unknown soldier in the last decades of his life when he progressed in age with Parkinson's disease; as Almighty tested him more, the more he became patient with Allah's decree. Nevertheless, his efforts were recognized in several ways. The IDB Prize in Islamic Banking and Finance for the Year 1411 Hijri (1991) was given to Dr. Ziauddin Ahmad. Also, the State Bank of Pakistan instituted, in December 2001, Ph.D. Scholarship in Economics in the name of Dr. Ziauddin Ahmad for deserving students at the Pakistan Institute of Development Economics (PIDE), Islamabad. May Allah rest the departed soul in eternal peace (Ameen) !

The late Dr. Ziauddin Ahmad

by

S.M. Hasanuzzaman

Dr. Ziauddin Ahmad was one of the architects of the Research Department in the State Bank of Pakistan (set up in 1948) who tried to make the department into an open academic set up rather than bureaucratic and strictly formal machinery. Scholars were free to explore and find out the matters of fact but not forced to follow the line of their boss.

Since the very beginning, Dr. Ziauddin's conviction was inspired by the inaugural words of the founder of Pakistan that called the Research Department to work on interest-free Islamic system of finance. In the State Bank he encouraged the work on the Islamic economic system as a whole. This could provide an idea as to how an interest-free system would fit in the overall set up. The requirement of the constitution of 1973 to eliminate interest from monetary transactions gave further fillip to this inspiration. It was under this background that the Council of Islamic Ideology set up a Panel of Economists and Bankers in 1977 to assist the

Council in the delicate task of finding ways and means to eliminate interest from the country's economy and to remodel the economic and financial system of the country in accordance with the injunctions of Islam. Dr. Ziauddin was appointed Convener of the Panel which submitted its most exhaustive, epoch-making report in February, 1980. During deliberations in the Panel Dr. Ziauddin played a vital role to ensure that the report should not provide a loophole to resorting to interest. The report was treated as a landmark and applauded by relevant quarters throughout the world and the first ever comprehensive, all-embracing and convincing study made so far.

Dr. Ziauddin's academic talents reflected in seminars and conferences in which he seemed to skin through the salient features of any paper, review or comment and with full demonstration of empathy expressed his opinion in a very articulate and coherent manner. His style of extempore speaking seemed as if he was reading from his carefully worded paper with full care of punctuation marks. It was free from verbiage and remained strictly to the point.

While Dr. Ziauddin worked in the State Bank of Pakistan in different capacities including Economic Adviser and Deputy Governor, his immediate subordinates like Director and Executive Director who had become experts in their respective fields (monetary policy, fiscal policy and balance of payments) had a very high opinion for him in respect of his sound knowledge, deep and authoritative insight in all these fields. His personal accomplishments raised him to the position of member, Board of Governors, IMF and consultant/adviser to a large number of national and international organizations.

In his capacity of being the first Director General of the International Institute of Islamic Economics, International Islamic University, he made a signal contribution in developing an integrated teaching and research programme in Islamic economics for undergraduate and post-graduate levels. During his stay in the Institute, he played a very significant role in the development of nascent discipline of Islamic economics. He is the author of *Islam, Poverty and Income Distribution*, and co-editor of *Money and Banking in Islam and Fiscal Policy and Resource Allocation in Islam*.

During his private meetings I did not find him recriminating anybody nor evince inveigh against his subordinates or colleagues. He remained humble about his achievements or performance. On the other hand I always found him an affable ascetic although reserved, and having no interest in social gatherings and wasting time in gossip and idle talk. I do not remember if he ever took a cup of tea in the

office. Anyhow, if junior officers had to sit with him till late night he would order for tea for them if somebody demanded for it.

I have rarely found persons who are naturally incapable of committing a vice. Dr. Ziauddin was one of them.

May Allah rest the departed soul in eternal peace (Ameen).